



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 2, 1998

### **H.R. 3610**

### **National Oilheat Research Alliance Act of 1998**

*As ordered reported by the House Committee on Commerce on September 24, 1998*

#### **SUMMARY**

H.R. 3610 would authorize the National Association for Oilheat Research and Education to conduct a referendum among retail marketers and wholesale distributors to determine if an industry research organization should be established. If there is sufficient industry support, the National Oilheat Research Alliance would be established to enhance consumer and employee safety and training; provide for research, development, and demonstration of oilheat equipment; and educate consumers. The alliance would be funded through an initial annual assessment of up to two-tenths of 1 cent per gallon of No. 1 distillate and No. 2 dyed distillate sold in the retail market and used for nonindustrial commercial or residential space or hot water heating. Funds collected through this assessment would be available to fund the Alliance's programs without further appropriation by the Congress. The bill would allow the distillate assessment to be changed or terminated if there is sufficient industry support.

Assuming that the industry would choose to establish the alliance, CBO estimates that enacting H.R. 3610 would increase both governmental receipts and outlays from direct spending by \$16 million to \$17 million a year over the authorized four-year period (fiscal years 1999 through 2002). Because the bill would affect direct spending and receipts, pay-as-you-go procedures would apply, but CBO estimates that the increase in annual receipts would be matched by outlay increases so that there would be no net budgetary impact for each year.

The bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. H.R. 3610 would impose a private-sector mandate, as defined by UMRA, on producers, importers, and transporters of heating oil sold in the retail market and used for nonindustrial commercial or residential space or hot water heating. CBO estimates that the cost of this mandate would not exceed the annual threshold for private-sector mandates (\$100 million in 1996, adjusted for inflation).

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that enacting H.R. 3610 would increase governmental receipts and direct spending (from the disbursement of such receipts) by \$16 million in each of fiscal years 1999 and 2000, and by \$17 million in each of fiscal years 2001 and 2002. For purposes of this estimate, CBO assumes that the industry will vote to establish the National Association for Oilheat Research Alliance, and that the distillate assessment will be set at two-tenths of 1 cent per gallon of distillate sold. CBO believes that the cash flows related to the alliance should appear in the budget as governmental receipts and direct spending because the payments between companies would stem from exercise of the sovereign power of the federal government.

The estimates of annual assessments are based on recent industry data on the amount of distillate sold in the United States retail market. The authority to collect such assessments would expire four years after the National Oilheat Research Alliance is established. Thus, there would be no budgetary effects after 2002. Although the Department of Energy projects that distillate sales for residential and commercial heating will continue to decline slightly, we assume the alliance would adjust the assessment on sales to increase funding for this program to keep pace with anticipated inflation.

## PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. CBO estimates that enacting H.R. 3610 would affect both direct spending and receipts in equal and offsetting amounts; therefore, pay-as-you-go procedures would apply, but H.R. 3610 would have no net budgetary impact in each year. The changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table.

	By Fiscal Year, in Millions of Dollars									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	16	16	17	17	0	0	0	0	0	0
Changes in receipts	16	16	17	17	0	0	0	0	0	0

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

The bill contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

H.R. 3610 would impose a private-sector mandate on producers, importers, and transporters of heating oil that is sold in the retail market and used for nonindustrial commercial or residential space or hot water heating, who would be required to pay an annual assessment to the National Oilheat Research Alliance. Based on testimony of representatives of the industry in a Congressional hearing, CBO assumes that the retail marketers and wholesale distributors would vote favorably on a referendum to establish the alliance. CBO estimates that the annual assessments would total \$16 million in each of the next two years, and \$17 million in 2001 and 2002, well below the annual \$100 million threshold established in UMRA.

### **ESTIMATE PREPARED BY:**

Federal Costs: Kim Cawley  
Impact on the Private Sector: Jean Wooster

### **ESTIMATE APPROVED BY:**

Robert A. Sunshine  
Deputy Assistant Director for Budget Analysis